



II UZBEK-INDONESIAN JOINT INTERNATIONAL CONFERENCE

**Economics And Management Towards
Nation Character Development**

SEPTEMBER 2012

**RUSSIAN ECONOMIC UNIVERSITY after G.V. PLEKHANOV
BRANCH in TASHKENT, UZBEKISTAN**

GUNADARMA UNIVERSITY, INDONESIA

II UZBEK-INDONESIAN JOINT INTERNATIONAL CONFERENCE

**Economics and Management Towards Nation
Character Development**

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- *Economic science, education and formation of human capital*
- *Social policy and labor market*
- *World economy and development of national economic system*
- *Financial system and financial and credit institutes*

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**“II Uzbek-Indonesian Joint International Conference”
Economics and Management Towards
Nation Character Development
Tashkent-Jakarta, 2012**

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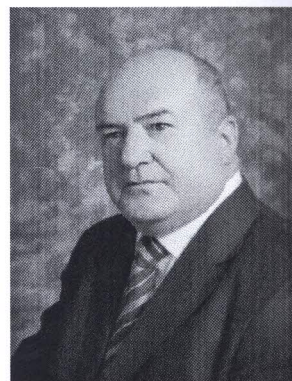
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FOREWORD

Dear participants of international conference!

On behalf of staff and students of the branch of Russian economic university after G.V. Plekhanov in Tashkent allow me to greet all the participants of the international conference and express gratitude to the rector of Gunadarma University professor E. Margianti for participation in this event.

Representatives of Indonesia have been to the Branch many times. A large-scale "Uzbekistan-Indonesia" culture forum was organized and held at our university. Regular meetings with students of our university is an indicator of importance of such events in deepening and developing bilateral cooperation between Uzbekistan and Indonesia in various areas, in particular in education sphere. These aspects were the basic theme of negotiations with the Branch authorities during the visit of Ambassador of Indonesia in Uzbekistan. During his visit Extraordinary and Plenipotentiary Ambassador of Indonesia in Uzbekistan Mr. Mohamad Asruchin made a report on the issues of economy development of Indonesia for the students of the Branch. It is very important for the university to expand outlook of our students. Meetings of such level, certainly, help to learn more about the country, its culture and history, and especially national economy. During the meeting students of Branch asked the Ambassador of Indonesia a lot of different questions on education system, opportunity of training in universities of the country, organization of joint seminars, symposiums and discussions of projects and programs representing mutual interest and student's exchange programs as well.



The delegation of Gunadarma University headed by the rector of university prof. E. Margianti visited the Branch several times. Gunadarma University specializes in the sphere of information technologies. There are 1300 teachers in the University. The university has partner programs with universities of the USA, France, England and etc. University consists of twelve departments in the capital city Djakarta and it takes the fifth place according to the rating in Indonesia. Gunadarma University was founded in 1981 and successfully functions in the sphere of education and scientific and research works. During the meetings there also signed Cooperation agreement between Gunadarma University and the Branch of REU after G.V. Plekhanov in Tashkent.

The given agreement provides bilateral cooperation between two universities in sphere of carrying out the research works which represent a mutual interest, short-term exchange of teachers and scientists for implementing scientific researches, consultations promoting scientific personnel education, organization of joint seminars, symposiums and discussions of projects and programs representing a mutual interest and students' exchange as well.

Within the limits of the given agreement the delegation of the Branch of Russian economic university after G.V. Plekhanov in Tashkent visited Indonesia in October, 2011 and took part in the work of Uzbek-Indonesian joint international conference organized by Gunadarma University. Extraordinary and Plenipotentiary Ambassador of Uzbekistan in Indonesia in Uzbekistan Mr. Shavkat Djamalov took part and made a report at the conference.

While visiting Indonesia we admire this country and its hospitable people every time. Gunadarma University and its staff impressed us greatly; it is a great honor for us to be partners of one of the largest and well-known universities of Indonesia.

In 2012 Russian economic university celebrated its 105 anniversary from the date of its foundation. During its activity the University trained more 150 thousand highly qualified specialists, about 2300 specialists are from Tashkent Branch in the

Tashkent Branch. They work successfully in Russia, Uzbekistan and in the countries of the near and far abroad. Achieving high results in various spheres of activities, the graduates of the University rank the leading positions in politics and economy, business and science, continue renowned teaching traditions at the universities of Russia and abroad. We do our best for our students to do well in studying.

At the University training is conducted on 22 educational programs of higher professional education, three sets of programs of additional professional education. We have made contracts on students' exchange and cooperation on programs of double and triple diploma with the higher educational institutions of 17 countries of the far and near abroad. High level of education in our University is known far of Russia boundaries. For more than 105 years of its existence REU after G.V. Plekhanov has always been famous for its teaching staff. For the period of its functioning the Branch in Tashkent has steadily ranked the place on the market of educational services of the Republic of Uzbekistan. Hundreds of applicants annually compete for the right to study in our Branch.

On September, 21-22 In the Branch of Russian economic university after G.V. Plekhanov in Tashkent there conducted II Uzbek-Indonesian joint international conference Economics and Management Towards Nation Character Development jointly with Gunadarma University and with the support of Embassy of Indonesia in Uzbekistan. The collection of theses of participants' reports has been published on the basis of researches materials of leading and young scientists, who have perspective views on innovative development of national economy at the beginning of the conference. Conference, its total documents and recommendations become a practical basis of consolidation of our universities with the purpose of development of higher education.

I wish all the participants fruitful and constructive work.

*Director of the Branch of "Russian Economic university after G.V. Plekhanov" in Tashkent,
Doctor of economic sciences, professor Kalandar Abdurakhmanov*

FOREWORD

First of all, I am honourer and pleased to present my foreword for the Proceedings of **"II Uzbek-Indonesian Joint International Conference on Economics and Management Towards Nation Character Development"**.

This conference was obviously became the culmination of the vision, dedication and the cooperation of Gunadarma University, Jakarta, Indonesia and Branch of Russian Economic University after G.V.Plekhanov in Tashkent, Uzbekistan. The conference is planned to be held alternately in Indonesia and Uzbekistan in the time series. The first conference of October 18-19, 2011 has been organized in Jakarta, Indonesia is the first event in this plan series.

"II Uzbek-Indonesian Joint International Conference on Economics and Management Towards Nation Character Development" that will be held in Branch of Russian Economic University after G.V.Plekhanov in Tashkent, Uzbekistan on September 21-22, 2012 as the next steps of the collaboration and cooperation as well others occasion in the future, I bilief will bring us to be closer in some aspects.

In the first conference has been presented 38 papers which cover a broad spectrum topics of economics and management towards nation character development. These papers captured the spirit of the Conference and reflect its major focus and objectives. The articles provide an overview of critical research issues reflecting on past achievements and future challenges, while for the second conference, Gunadarma University will send a fullteam delegation of Economic Faculty included Rector, and Vice Rector IV of Collaboration and Cooperation , Dean of Economic Faculty, Head of Department and Center as well Head of Departments and senior researchers from Diponegoro University, Semarang to convey the research articles and paper covering many aspects of insightful, inspirational messages, scholarly analysis of critical policy, programs issues of economics and management as well as experienced-based notes for practice. I bilief that can provided a significant contribution to the development of knowledge in this interested area.

In this special occassion, I'd like to take this opportunity to expressed my gratitudes and thanks to all people who made this first conference the success as it was. Firstly, allowed me to give my special appreciation and gratitude to leaders of Branch of Russian Economic University after G.V.Plekhanov in Tashkent, Uzbekistan in their trust to Gunadarma University in building cooperation for mutual benefit. I took this opportunity to make a ballance situation of inviting Rector of Branch of Russian Economic University after G.V.Plekhanov in Tashkent, Uzbekistan, Prof Dr Abdurakhmanov K. Kh to become Honorary Profesor in Gunadarma University, Jakarta, Indonesia as well I was in Branch of Russian Economic University after G.V.Plekhanov in Tashkent

I encourage the continuation and development of cooperation programs and services which serve to strengthen economics and management in both countries and the relationships between Branch of Russian Economic University after G.V.Plekhanov in Tashkent, Uzbekistan and Gunadarma University. Jakarta, Indonesia .

In this occassion, please allowed me also to express my apreciation and gratitude to all of the organizing team including scientific committee, program chairs, session chairs, and others, for their commitment, effort and dedication in undertaking their own task to bring the success of this conference.

Finally, I owe our gratitude to all the conference participants for their contributions to the intellectual discourse during the conference and for the overall success of it. The conference would not have been successful without the support and active contribution from all participants.

As closing remarks, Let's say thanks to the Lord Almighty God for all His blessing on us.



*Prof. Dr. E.S. Margianti, S.E. MM
Rector of Gunadarma University*

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PART I

We would like to acknowledge these following names for contributing their paper(s) in "II Uzbek-Indonesian Joint International Conference Economics and Management Towards Nation Character Development":

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Thank you for participating in our conference

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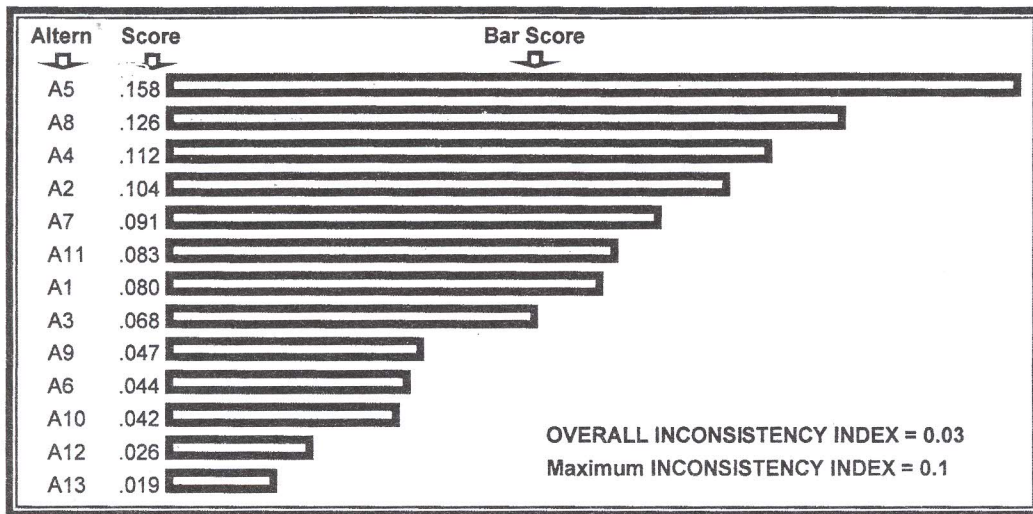
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Priority and Alternative for Developing SMEs *Batik*

Note:

- A1 = Training for Management and Creativity in production
- A2 = Providing supply for raw materials
- A3 = Low-interest and soft loan
- A4 = Availability of trading house and marketing (workshop)
- A5 = Functioning market opportunity
- A6 = Reducing sales tax for SMEs *batik*
- A7 = Training for improving technical skills
- A8 = Training for developing entrepreneurship
- A9 = Preparing extension officers for *batik*
- A10 = Establishing education institution for *batik*
- A11 = Technical assistance
- A12 = Guidance and consultation for Intellectual Property Rights
- A13 = Waste and disposal technology management

THE IMPLEMENTATION OF CORPORATE SOCIAL RESPONSIBILITY (CSR) AND ITS IMPACT ON FIRM'S OPERATING EFFICIENCY, INCOME TAX, AND STOCK PRICE

Apriansah
Toto Sugiharto

Economic Faculty, Gunadarma University

Abstract

The primary objective of the firm is to earn maximum profit or to maximize shareholder wealth. Profit, in accordance with the principle of going concern, was required to maintain firm's existence and, in turn, firm's expansion and development. One way that can be accomplished by a firm in order to achieve a satisfactory level of profit is to make a positive contribution to the social environment, or better known as corporate social responsibility (CSR). This study generally aims to analyze the effect of the implementation of CSR on stock prices and income taxes either directly and indirectly through operating efficiency. In particular, objectives of this study were to analyze (i) the direct effect of CSR implementation on corporate stock prices, (ii) the indirect effect of CSR implementation on corporate stock prices through corporate operating efficiency, (iii) the direct effect of CSR implementation on corporate income tax, and (iv) the indirect effect of CSR implementation on corporate income taxes through corporate operating efficiency.

Samples of this study were 198 companies which implemented corporate social responsibility (CSR) in 2009 and 2010. Data which consist of corporate social responsibility indices, operating efficiencies, income taxes, and stock prices were obtained from the Indonesia Stock Exchange. Path analysis was performed to analyze causal relationships amongst investigated variables.

Results of the study indicate that the implementation of corporate social responsibility (CSR) directly affects corporate stock prices and indirectly affects income taxes through corporate operating efficiency.

Keywords: Corporate Social Responsibility (CSR); operating efficiency, stock price; corporate income tax.

Background to the Study

Basically the company's goal is to earn profit. With a profit, then the company can maintain the survival and can continue to develop and deliver a profitable return for its owners. To earn a profit, the company conducts its operational activities in order to achieve that goal. However, along with the activities of the company to earn profit collisions sometimes occur on the surrounding environment, both natural and social environment. As evidence, many series of cases concerning

the impact or the impact of business activities that impact on social order and environment such as the Chernobyl nuclear reactor meltdowns, Ukraine (1986); Greenpeace activist blockade against the action of the sinking of the former Shell owned rig in the North Atlantic Ocean in the event of Brent Spar (1995). Never-ending conflict between indigenous Papuans with PT Freeport Indonesia and the Government and mudflow events of exploration field of Lapindo Brantas in Sidoarjo are some examples of the negative impacts of business activities in Indonesia.

The concept of CSR or Corporate Social Responsibility embodies a commitment to sustainability (sustainability) of the company are reflected into the triple bottom line "3Ps" namely profit, planet, and people. 3Ps concept is regarded as a key pillar in building a sustainable business. This concept of changing the old paradigm that the survival of the company will occur if the company put a concern for economic growth, concern for the development of concern for the environment and social development. In keeping with the development, business enterprises must contribute to all three issues (Andiwahyudin, 2011).

Currently the company is not only required to seek profit but also should pay attention to social responsibility in society. Economically, the company is expected to get the highest possible profit. But the social aspect, then the company should contribute directly to the public that improves the quality of life of the community and environment. Therefore, the government asked for a commitment of private or business people in particular as a form of accountability for the negative impacts arising from this CSR program. Through Legislation No. 40 of 2007 on limited liability companies and law and Legislation No. 25 of 2007 on capital investment, the government expressly asked for the commitment of private/company obliged to perform CSR. CSR is increasingly playing an important role in encouraging the broader corporate social responsibility for creating a good balance of economic development, social or environmental.

With the inception of the legislation on the company's obligation to carry out social responsibility or Corporate Social Responsibility (CSR) makes the pros and cons in the business circles. The company objected again the legislation when they are burdened with the cost of this social responsibility. Actually, the implementation of CSR has many benefits that will be felt by the company. According to Kotler and Lee (2005), some benefits can be gained through the implementation of CSR companies are increasing sales and marketing share, strengthen brand positioning, enhance corporate image, reduce operating costs, enhance the attractiveness of the company in the eyes of investors and financial analysis.

From another aspect, namely taxation, the implementation of CSR programs requires more in-depth study in the application, because the CSR programs implemented by the company could be in the form of various programs. Form of the program selected by the company raises its own problems in the aspect of taxation, both aspects of Income Tax and Value Added Tax.

Therefore, this paper aims to examine more deeply about the impact of the implementation of CSR programs for the company. Furthermore this study aims to provide empirical evidence of the influence of the implementation of corporate social responsibility (CSR) on stock prices and income taxes both directly and indirectly through corporate operating efficiency.

Research Methods

Variables used in this study were dependent variable, intervening variable, and independent variables. These include: (i) Corporate Social Disclosure Index (CSDI) based on the GRI which consists of three focuses of disclosure (i.e., economic, environmental, and social sustainability); (ii) corporate operating efficiency (i.e., Operating Expenses to Operating Income Ratio); and (iii) income tax and stock price.

Sample of the study were obtained from companies listed in Indonesian Stock Exchange (IDX) using the following criteria: (i) the companies listed in the Indonesian Stock Exchange in period of 2009 to 2010; (ii) the companies provide a complete annual report for the selected period; and (iii) the companies have complete data related to the variables used in the study. Based on these criteria, 198 companies were selected and used in this study.

Path analysis was performed to analyze both the direct and indirect effect, through corporate operating efficiency, of corporate social responsibility disclosure indices on corporate income tax and stock price. Amos 15 was used to perform the analyses.

Results and Discussions

In analyzing the effect of CSR on corporate operating efficiency and, in turn, on corporate income tax and corporate stock price we performed path analysis. Results of the analysis are shown in the following figures.

Significances of both direct and indirect effects, through corporate operating efficiency, of CSR implementation on corporate income tax and corporate stock price are depicted in table which follows.

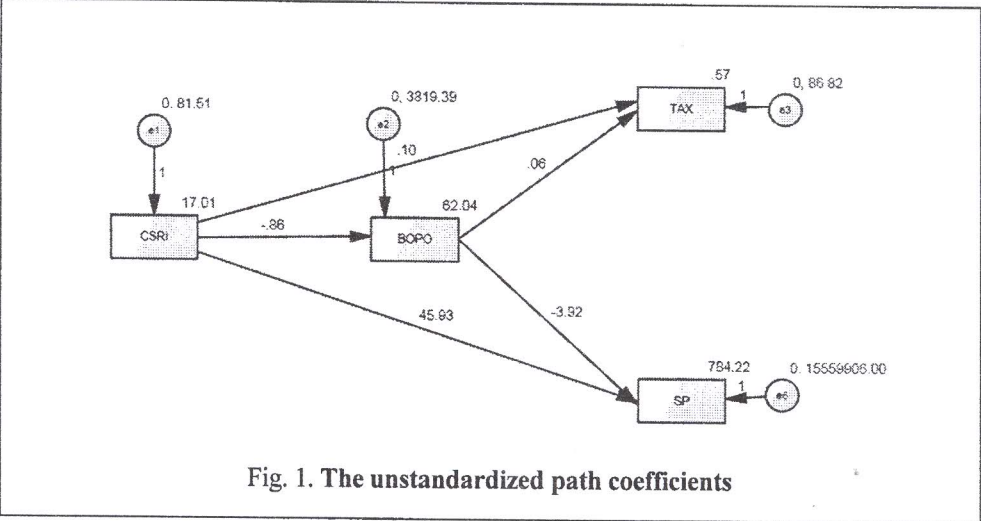


Fig. 1. The unstandardized path coefficients

It is found that corporate social responsibility which is represented by CSRI directly affects corporate stock price (SP). CSR significantly affect on corporate operating efficiency (BOPO) in negative manner which means that the higher the company implements CSR the more efficient the company operation will be. Corporate operating efficiency (BOPO), however, has no significant effect on corporate stock price (SP). On the other hand, it is interesting to find that CSR has no direct effect on corporate income tax (TAX). In the mean time, corporate operating efficiency (BOPO) significantly affects corporate income tax (TAX). Since corporate

social responsibility (CSRI) affects corporate operating efficiency (BOPO). It is understood that corporate social responsibility (CSRI) indirectly, through corporate operating efficiency (BOPO), affects corporate income tax (TAX).

These results are generally in line with Kotler and Lee (2005), who state that companies that implement corporate social responsibility will obtain to some extent either direct or indirect benefits. One of which, according to them, is that these companies will lower their operating cost. The costs of marketing their products can be reduced and replaced it with the costs of CSR which subject to tax deductible. In this study, it is found that corporate social responsibility implementation affects in a significant manner corporate operating efficiency (i.e., BOPO).

Regarding corporate income tax and its relationship with corporate social responsibility implementation, Irawan (2008), Aris (2010), Adoe (2011), and Williams, 2007, Watson 2011, have an interesting statement. They argued that from tax regulation or tax law point of view, corporate social responsibility implementation can be linked with income tax and value added tax (VAT). To obtain benefits from corporate social responsibility implementation in relation with income tax, companies are required to select an appropriate strategy that makes all costs incurred for the selected CSR program can be deducted from as expenses that reduce taxable income (Irawan, 2008; Aris, 2010; Adoe, 2011; Williams, 2007; Watson, 2011).

The Directorate General of Taxation, Ministry of Finance of the Republic of Indonesia, confirmed that costs incurred from Corporate Social Responsibility (CSR) implementations can be deducted from gross income in determining taxable income (tax deductible). However, CSR activities that are tax deductible is limited only to certain types of activities as stipulated in Law no. 36/2008 on Income Tax.

In this study, as mentioned earlier, corporate social responsibility implementation does affect income tax that must be paid by companies. Interestingly, however, it affects corporate income tax indirectly through corporate operating efficiency. This phenomenon is generally in accordance with Kotler and Lee (2005), Irawan (2008), Aris (2010), Adoe (2011), and Williams (2007), and Watson (2011).

For investors in capital markets, especially those with long-term investment horizon, CSR implementation report can be used as a source for investment decisions in the stock world. The report is useful for identifying companies that have a high commitment to CSR. Companies that have a high commitment to CSR will be appreciated by the community that will increase the company's reputation (Cahyono, 2011; Cellier, 2011; Cheng and Christiawan, 2011). A study conducted by Ismiyanti and Mahadwartha (2006) revealed that there a strong relationship between corporate social responsibility implementation with corporate profitability. Since corporate financial performance, which is, among other things, represented by corporate profitability, is closely related to corporate stock price, social responsibility implementation has the potential to positively affect corporate stock price (Flori et al., 2010; Hall and Rieck, 1998; Arx and Ziegler, 2009). This is also supported by a survey conducted Marsteller (2000) which indicated that 42% of respondents believe that the track record of CSR will increase stock prices by 89%. This is indicated that corporate social responsibility implementation is of importance to the corporate stock price.

Results of this study strongly support these statements. Corporate social responsibility implementation (i.e., CSRI) is found to significantly and directly affect corporate stock price which is—in various ways and magnitudes—in line with Flori et al. (2010), Hall and Rieck (1998), and Arx and Ziegler (2009).

Conclusions and Suggestions

General conclusions of the study, which was aimed at analyzing the effect of the implementation of corporate social responsibility (CSR) on operating efficiency, income tax, and stock price, are that CSR implementation directly affects corporate stock price and indirectly affects corporate income tax through corporate operating efficiency.

It is interesting that CSR implementation was found to significantly affect, either directly or indirectly, corporate stock price as well as corporate income tax. This suggests that CSR implementation is of importance to the firm, particularly in increasing its financial performance which is represented, amongst other things, by stock price and in decreasing its income tax as a result of tax deduction in accordance with Act No. 36/2008 of income tax. Accordingly, we strongly suggest the government to more comprehensively encourage all companies to implement corporate social responsibility. It will be not only benefit the companies but also, and most importantly, benefit the society in term of a better long term social, economic, environmental, and possibly political (Indrawati, 2009), conditions.

Table 1. Path coefficient and corresponding significance

| IV ¹ | Effect of | | Path coeff. | SE ³ | CR ⁴ | Sign ⁵ |
|-----------------|-----------|-----------------|-------------|-----------------|-----------------|-------------------|
| | on | DV ² | | | | |
| CSRI | → | BOPO | -0.862 | .344 | -2.504 | 0.012 |
| BOPO | → | TAX | 0.060 | .008 | 7.963 | *** |
| BOPO | → | SP | -3.919 | 3.212 | -1.220 | 0.222 |
| CSRI | → | TAX | 0.100 | .052 | 1.919 | 0.055 |
| CSRI | → | SP | 45.935 | 22.157 | 2.073 | 0.038 |

Note: ¹ IV: Independent variable

² DV: Dependent variable

³ SE: Standard Error

⁴ CR: critical ratios

⁵ Significance

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THE EFFECT OF THE PERFORMANCE OF MICRO AND SMALL COMPANIES ON THE COLLECTABILITY WITH SPIRITUALITY AS MODERATING VARIABLE

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Abstract

The government provides a variety of aids to micro and small companies in order to increase the competitiveness of them and their performance and in return their collectability. The objectives of the research are (a) to explore and analyze the effect of the performance of micro and small companies on the collectability?; and (b) to explore and analyze the moderation of the spirituality on the relationship between the performance of micro and small companies and their collectability.

The location of the research is at southern Sumatera and the number of samples are 250 micro and small companies. We use 2 independent variables (ROI and spirituality) and a dependent variable (collectability).

The results show that the micro and small companies (debtors of PT Pertamina) have increased their performance measured by return on investment (ROI). Their performance does not affect the collectability. As the owners of micro and small companies have and apply the religion knowledge, the performance of micro and small companies influence on the collectability.

Keywords: Performance, spirituality, and collectability.

Research Background.

The objective of continued development in Indonesia is to increase the prosperity of the society. The successful development must involve all parts of the nation including governments and societies (academic institutions and industries) with integrated and directed national planning.

Until 2005, the government had provided many facilities mostly only for large scale companies and very limited facilities for micro and small scale companies with objective that government through state companies and large private companies had provided much more employments and to increase the economic activities.


Along with the population growth, the government (through departmental institutions and state companies) and large scale private companies had provided small number of the employment than expected and had declined their contribution to all sectors of economic activities. The government then set policies by providing financial aids, training, and promotion for the micro and small companies. All aids are provided by almost all departmental and non departmental institutions and all state companies. They distribute them in the form of soft loans, free of charge training, and promoting of their products at national and international markets. The objective of the policy is to increase the competitiveness of micro and small scale companies, so that they can provide more employments and contribute their economic activities to national income.

Those aids are supported by government regulations in the form of Act of Republic of Indonesia number 19 of 2003 concerning the state enterprises to reserve and use the profit for assisting micro and small enterprises and credit unions and Act of Republic of Indonesia number 10 of 1998 concerning the obligation of commercial bank to facilitate and shorten the terms of credit for micro and small enterprises and credit unions; and The Ministry Decree of State Enterprises number 236/MBU/2003 and The Regulation of Ministry of State Enterprise number Per-05/MBU/2007 concerning the program of partnership of state enterprises with micro and small enterprises and credit unions and the program of developing its environment

The role of societies in the economic development are motivated by government. The government has shortened the time of publishing the company start up permit. Up to present, the number of the micro and small scale companies are almost 99 percent. They provide the employment almost 93 percent, and contribute to GDP almost 43 percent.

Financial aids of government are used by the micro and small scale companies to increase their working capital, production capacities, to replace old machines/transportation equipments, and to penetrate the markets. The objectives of financing provided by the government is to improve the financial and accounting system, product quality, and service quality. The objectives of promotion aids are to introduce and promote their products and services to new their markets both in local and international markets.

There are many state enterprises that have carried the financial aids to micro and small companies. PT Pertamina Region II is one of the state enterprises carries the program of partnership of state enterprises with micro and small enterprises at south Sumatera which consist of (a) agriculture; (b) mining; (c) trade; (d) services; and (e) manufacturing. There are some reasons why these micro and small enterprises have been developing in this region, namely: (a) the regional income have been increasing significantly recently; (b) the local government and private enterprises can only provide small number of employment compared to the labor forces. To decrease the unemployment, central government Through PT

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